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UNCLAS HARARE 002255

SIPDIS

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIEMOND
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

[1](#)E. O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [ZI](#)

SUBJECT: Inflation Hits 526 Percent

[1](#)1. Summary: Year-on-year inflation has reached 526 percent. Jarred by spiraling prices, Zimbabweans anxiously await Thursday's budget speech. End Summary.

[1](#)2. The Central Statistical Office's most recent inflation figures encompass October 2002-October 2003. Basic foods and transportation are now beyond the reach of most Zimbabweans, whose salaries continue to lag inflation. (Local joke: "Your take-home-pay no longer takes you home.") Even more worrisome, an alternative PricewaterhouseCoopers consumer price index demonstrates that the poor bear the brunt of high inflation. The accounting firm pegs October inflation for high, medium and low income Zimbabweans at 13, 17 and 39 percent, respectively.

[1](#)3. Comment: Still, neither official nor unofficial figures tell the whole story. For example, rail transport, far cheaper than intercity buses, is often unavailable due to the GOZ's inability to afford imported diesel. (Thanks to nearly-free electricity from South Africa, Zimbabwe's few electric trains run more reliably.) Given its limited fiscal and monetary options, the GOZ can probably not rein in inflation without raising interest rates, currently about 400 percent negative. But few contacts believe the GOZ will take that route when it unveils the 2004 budget on Thursday. More likely, the GOZ will blame the economy's ills on the parallel currency market and place new restrictions on business activity.

Sullivan